

RAND Hospital Price Transparency Project

2023 New Hampshire
Insurance Department
Annual Hearing

*Study funding provided by Robert
Wood Johnson Foundation and
participating employers*



October 2023
Christopher Whaley
cwhaley@rand.org



Employer-sponsored plans cover half of Americans

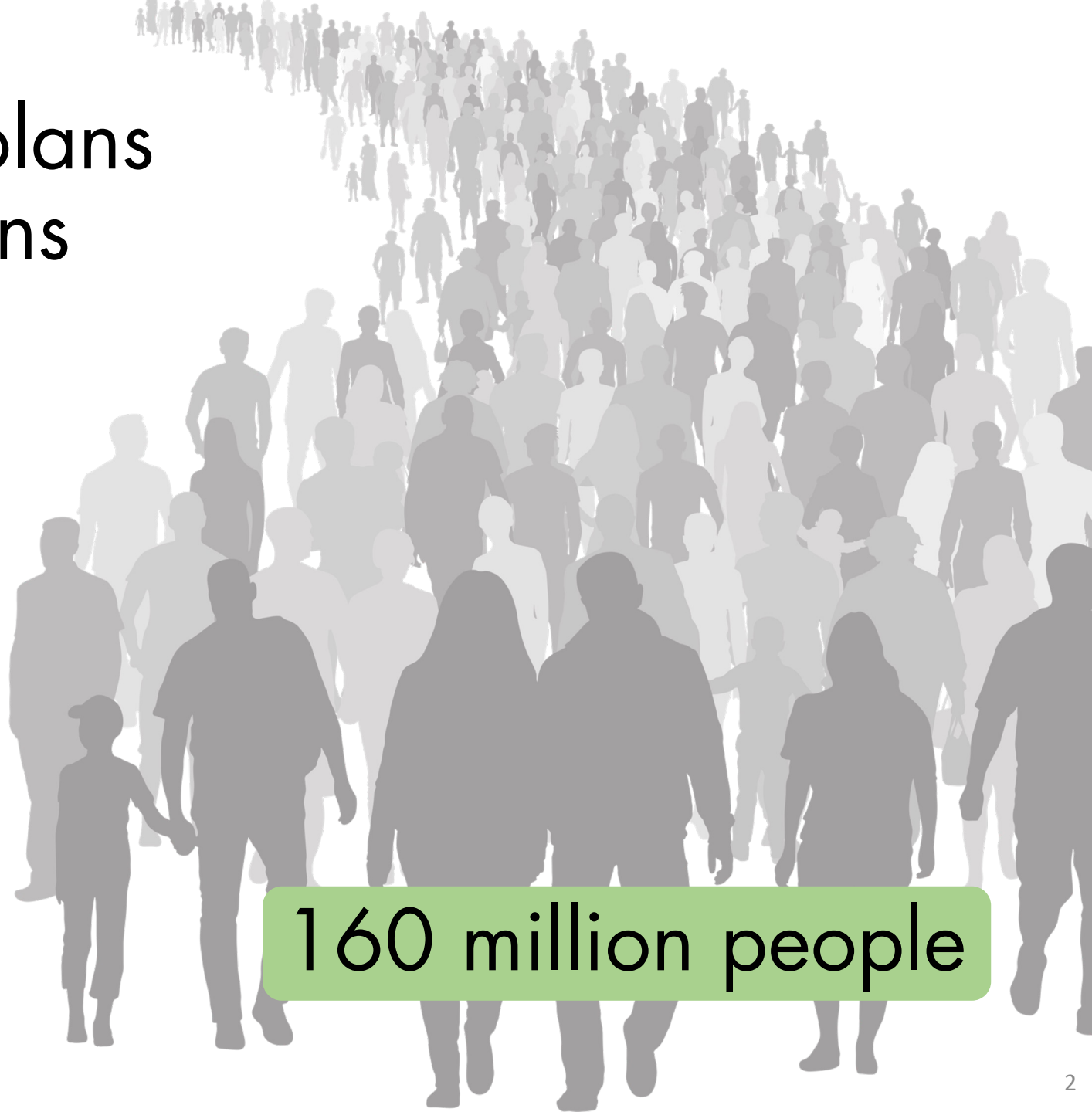
\$1.2 trillion

health care costs

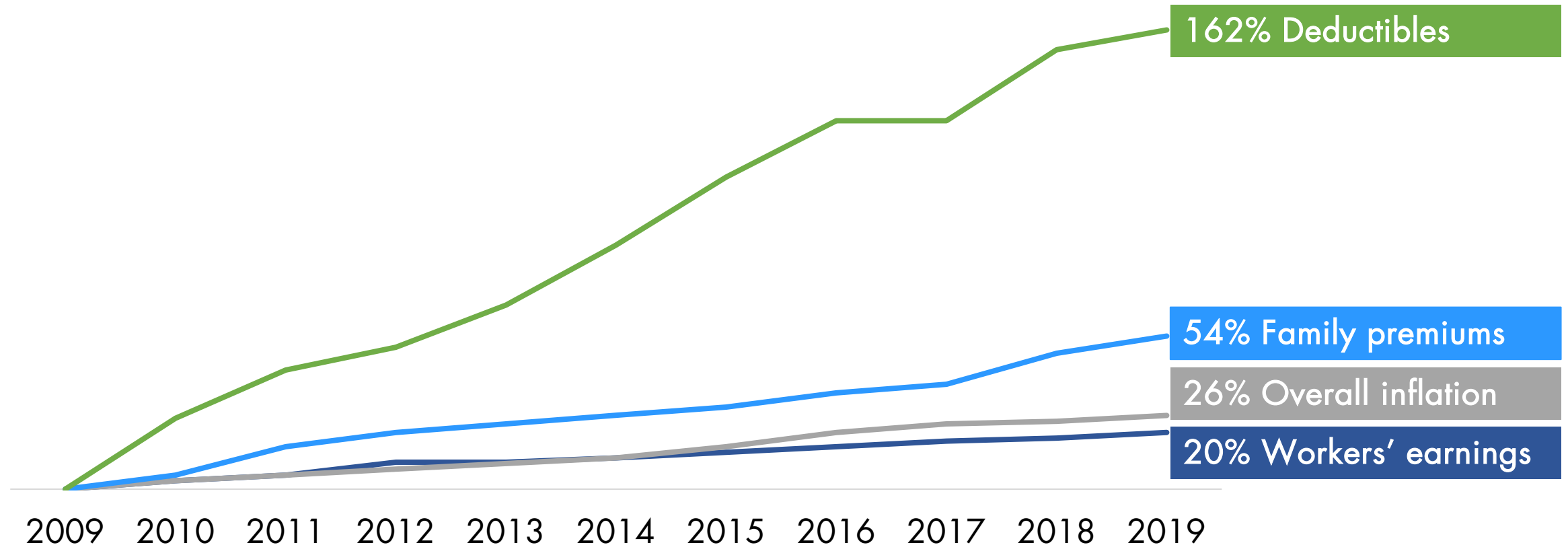
\$480 billion

hospital costs

160 million people



Over the past decade, premiums and deductibles have outpaced wages



Self-funded purchasers have a fiduciary responsibility to monitor health care prices

“Fiduciaries have a responsibility to "act solely in the interest of plan participants and their beneficiaries and with the exclusive purpose of providing benefits to them."
—Department of Labor”



How can self-funded plans fulfill fiduciary obligations without knowing prices?

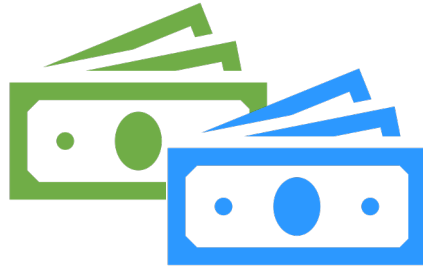
States are sponsors of self-funded plans and have fiduciary obligations

Hospital Price Transparency Study – Round 4



Obtain claims data from

- self-funded employers
- APCDs
- health plans



Measure prices in two ways

- relative to a Medicare benchmark
- price per case-mix weight



Create a *public* hospital price report

- posted online, downloadable
- named facilities & systems
- inpatient prices & outpatient prices
- Sage Transparency dashboard



Create *private* hospital price reports for self-funded employers

Round 5 Study Timeline

Now

Spring
2023

Sign DUAs

- Cigna
- UHC
- Anthem
- Aetna
- Etc.

Transfer Data

- 1/1/2020 through 12/31/2022 claims
- If employer opts in, insurance company handles data transfer
- If data warehouse or other data contributor, RAND can facilitate

May
2024



Create a *public* hospital price report

- Free to participate, free to access
- Results specific to hospitals, states, national trend

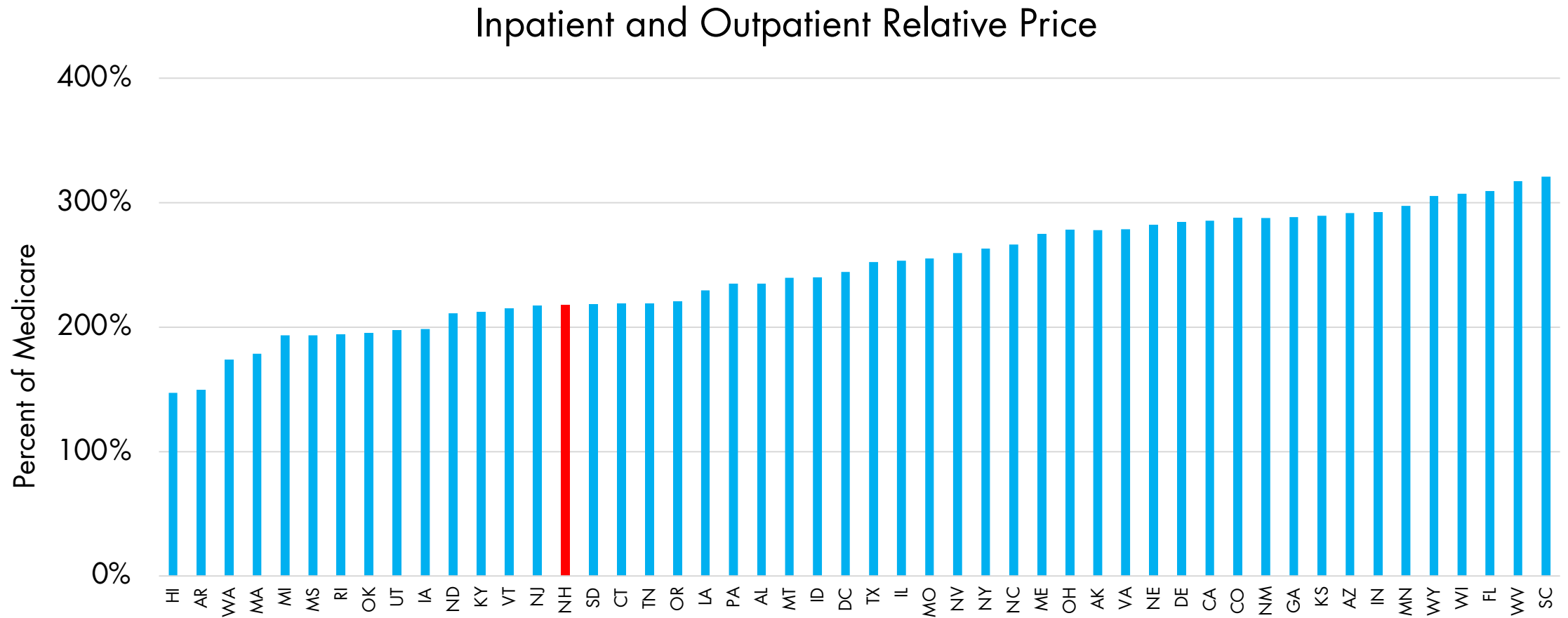
June/July
2024



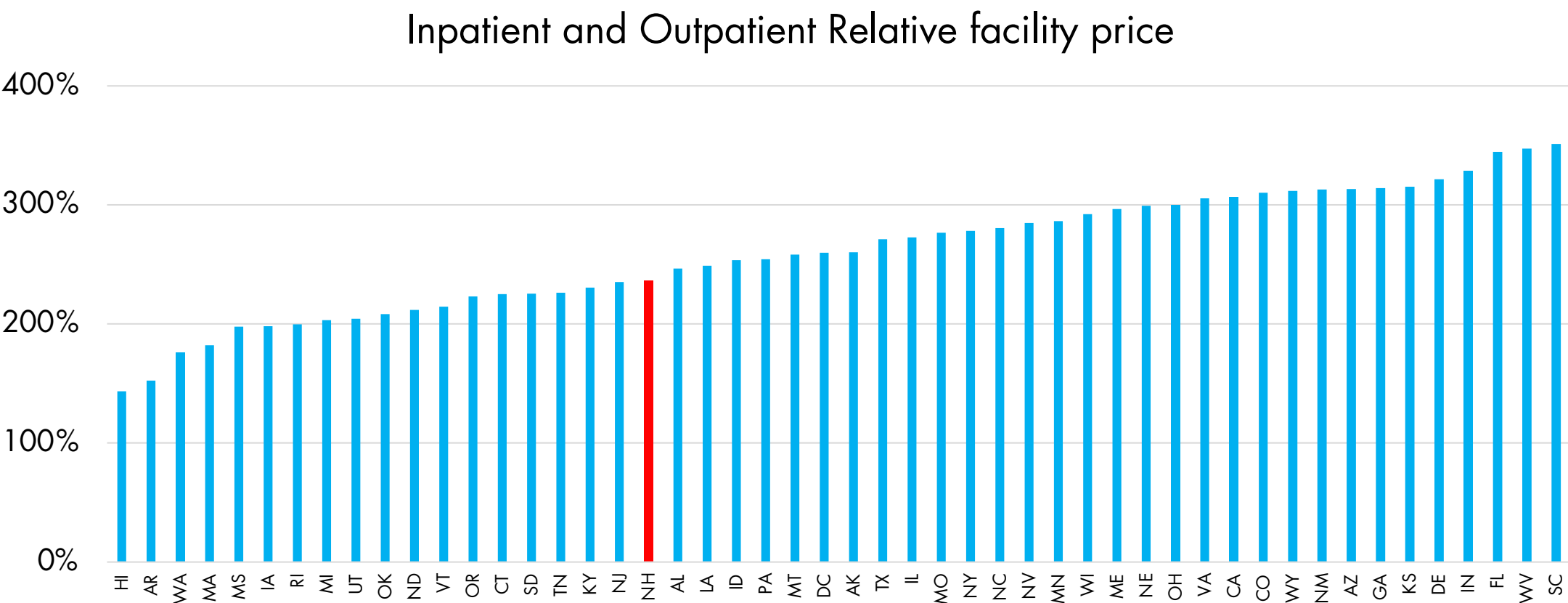
Create *private* hospital price reports for self-funded employers

- \$1,000 minimum
- \$15,000 max
- Only employer sees results – specific to employer's population

Relative prices vary widely

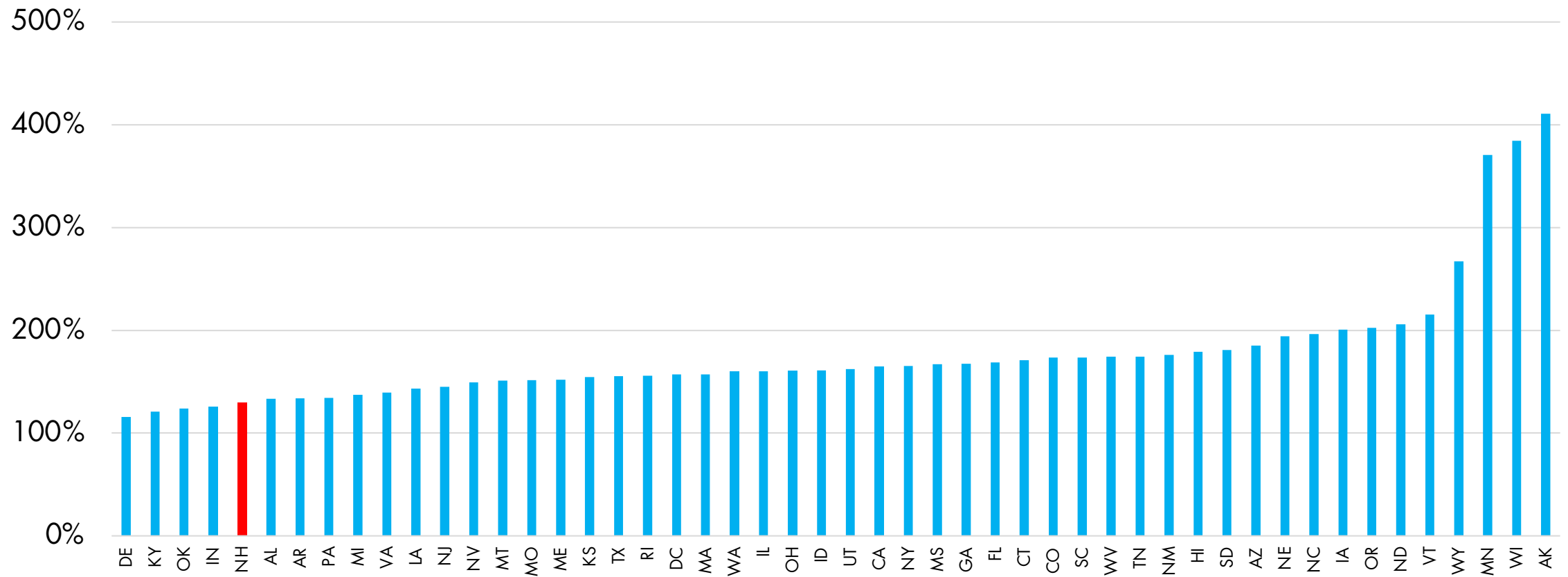


Facility fees drive hospital prices

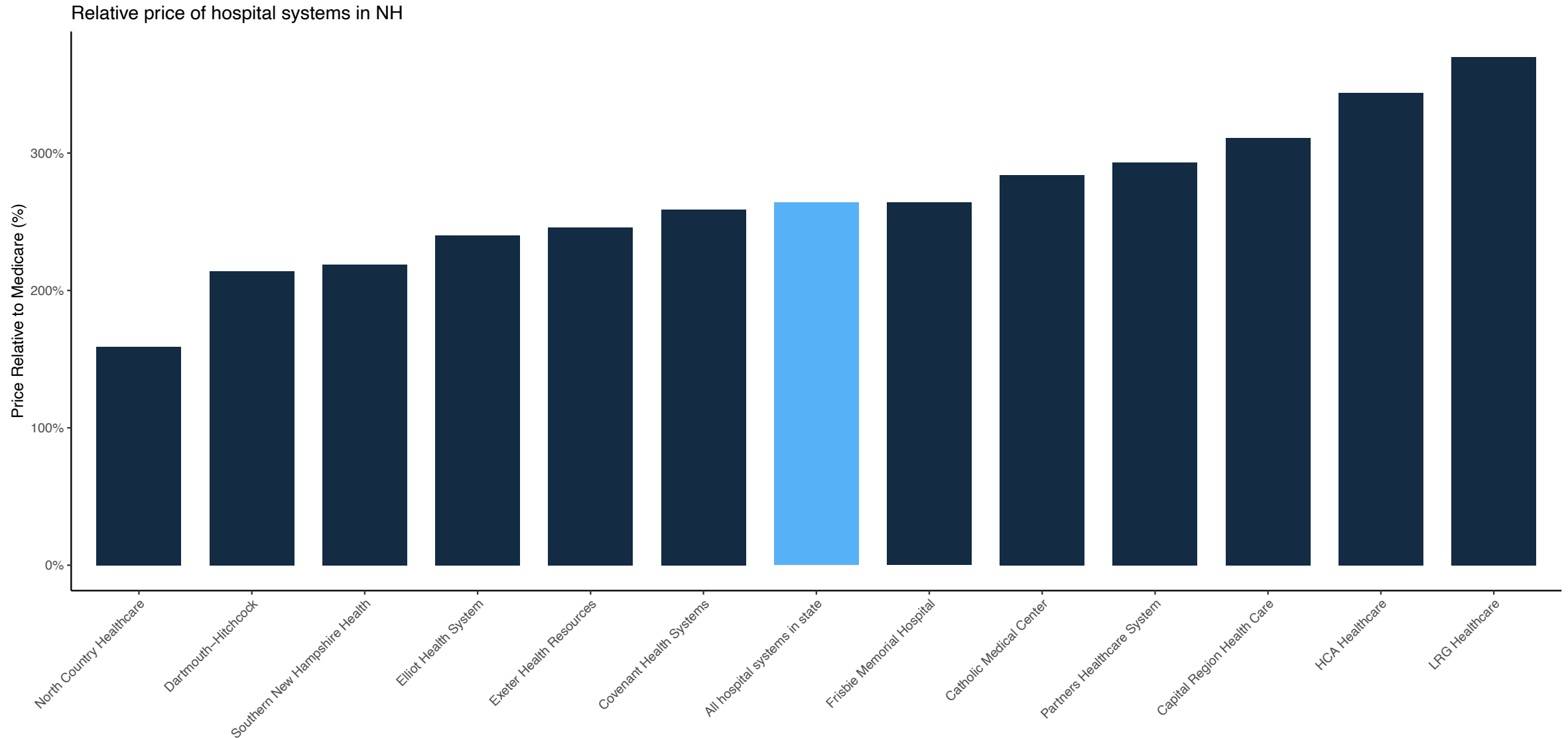


Less variation in professional fees

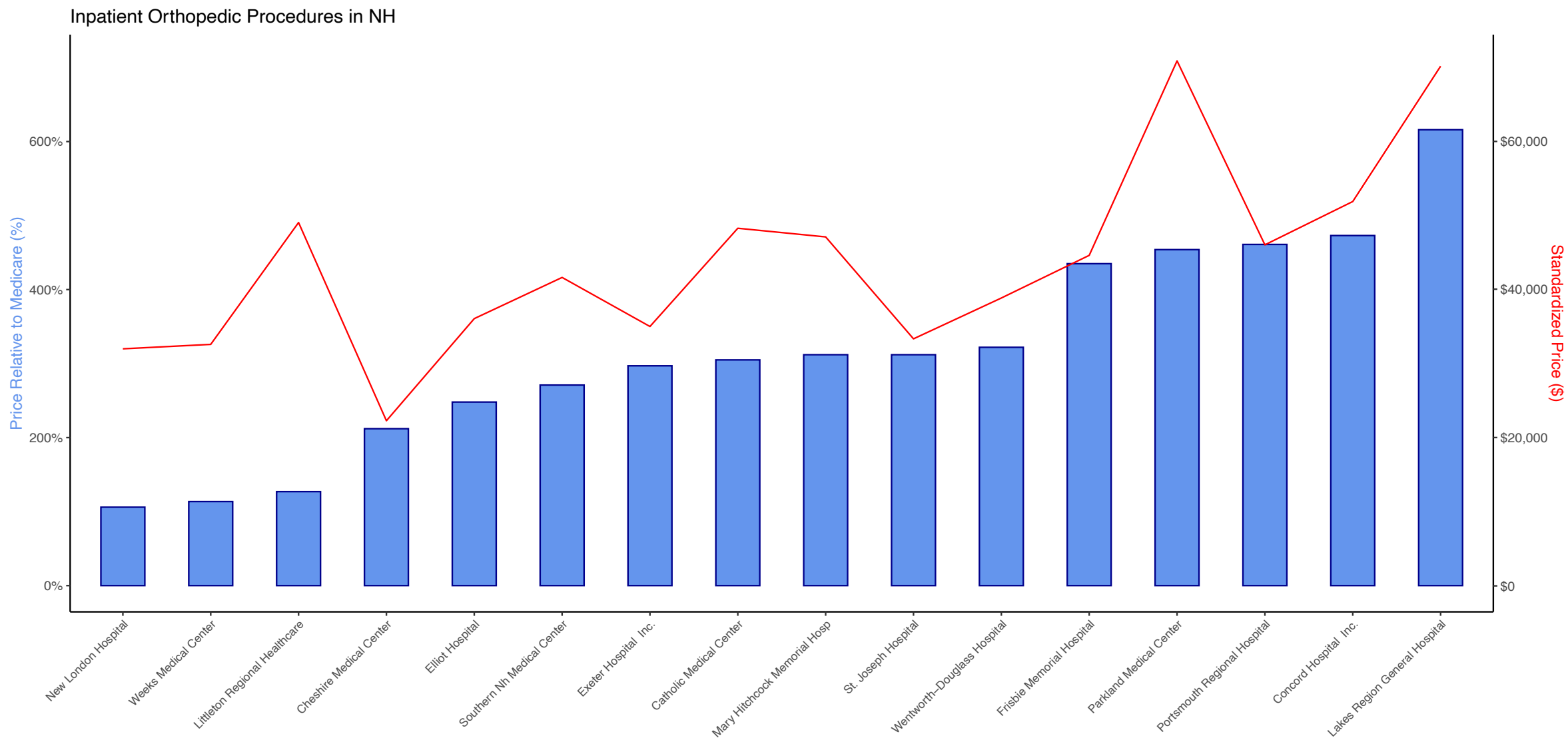
Relative price, professional



New Hampshire prices vary widely



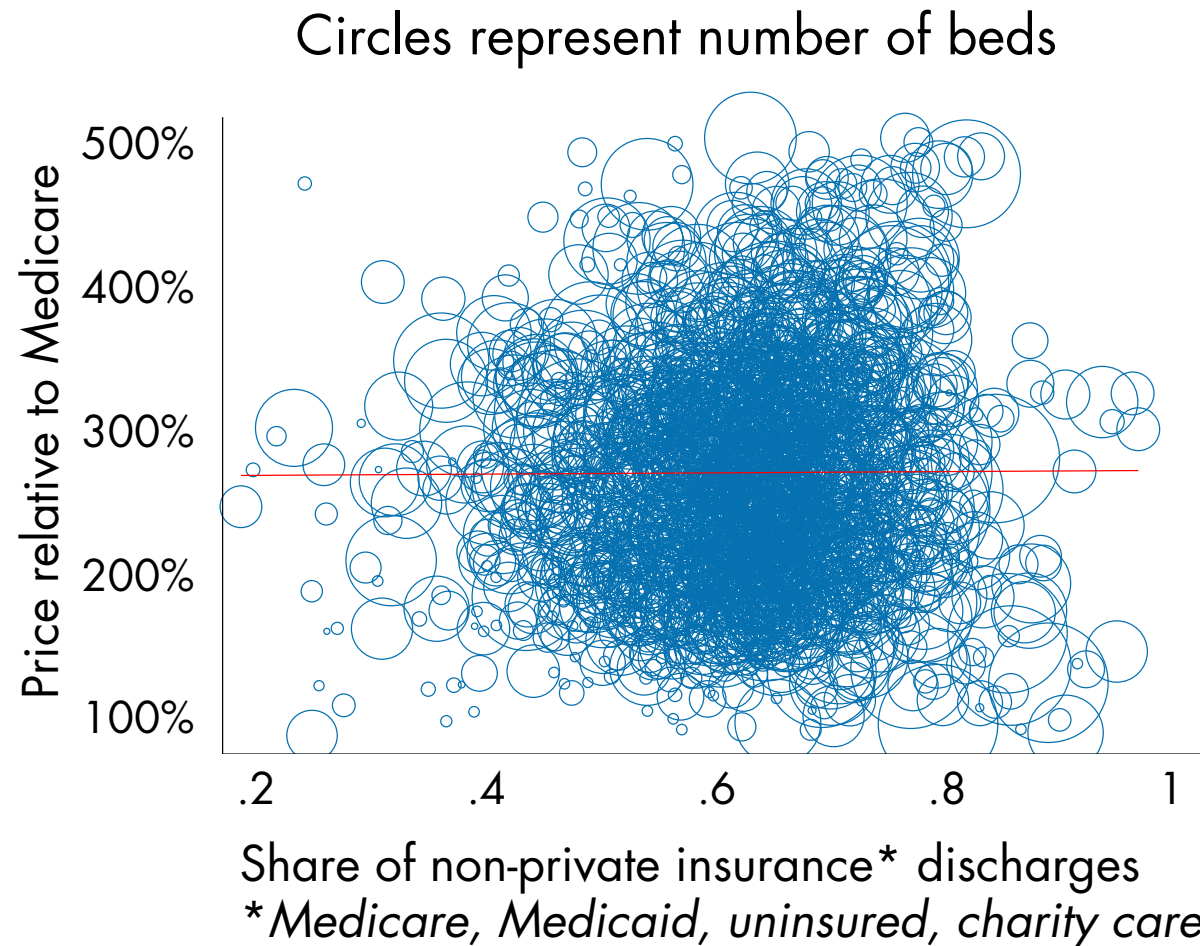
Orthopedic prices range 150%-600% Medicare



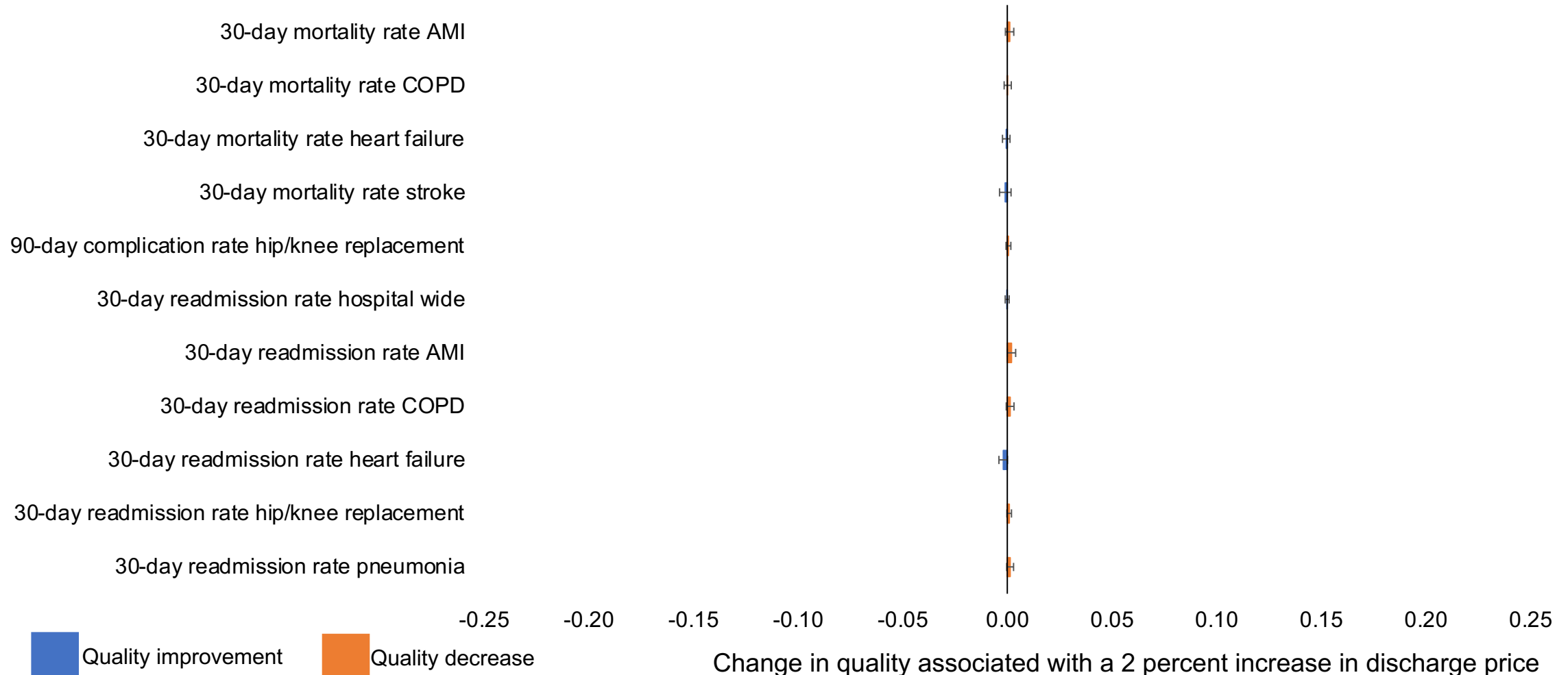
What drives prices?

- No correlation with Medicare, Medicaid, or uncompensated patients (“cost shifting” not true)
- Minimal correlation with quality and safety
- Strong correlation with market power and concentration

Non-private patients doesn't explain hospital prices



Hospital Price Increases Don't Lead to Quality Improvements



How can purchasers and policymakers use price transparency?



Purchasers are collecting information about prices

- The Colorado Business Group on Health used RAND 2.0 data to produce a report on value of Colorado hospitals
- The report proposed options for Colorado employers to address prices in their specific markets
- Focus on state and municipal health plans



Purchasers are using data to benchmark prices

Modern Healthcare

Self-insured employers go looking for value-based deals



“

A similar RAND study commissioned by self-insured employers in Indiana spurred action...In response, 12 self-insured companies asked Anthem Blue Cross and Blue Shield to develop new health plan options.

”

And they're citing our study in their negotiations

The New York Times

***Many Hospitals
Charge Double or
Even Triple What
Medicare Would Pay***



The Journal Gazette

**Insurer pushes
Parkview on costs**

Says charges too high, citing
study hospital calls unfair



Anthem is attempting to support a core goal of the RAND study by holding hospital systems accountable for their prices, which in turn will benefit our employees' mental and physical health and their financial wellness.

**—Purdue Senior
Director of Benefits**

Using data to inform state policy

Indiana CAPITAL CHRONICLE **Healthcare costs top legislative priorities**

State of Indiana

Senator Rodric D. Bray
President Pro Tempore
200 W. Washington Street
Indianapolis, Indiana 46204
Senate: (317) 232-9416
E-mail: S37@iga.in.gov

General Assembly

Representative Todd M. Huston
Speaker of the House
200 W. Washington Street
Indianapolis, Indiana 46204
House: (317) 232-9630
E-mail: H37@iga.in.gov

We are asking you to work collaboratively with third-party payers to present a plan to the legislature by April 1, 2022 that would lower Indiana's hospital prices to at least a national average by January 1, 2025, utilizing either Medicare (the national average is 263% of Medicare) or Standardized Pricing adjusted by cost-of-living as the benchmark. Our teams stand ready to assist you in any way that we can. It is not lost on us that your industry is complex and that there are myriad demands on your time.

2023 IN Legislation

- Physician noncompete ban
- 285% of Medicare price benchmark (no penalties)


Conclusions



Rising health care costs place pressure on employers and worker wages—especially during the COVID-19 pandemic



The wide variation in hospital prices presents a potential savings opportunity for employers and purchasers



Employers and purchasers need to demand and use transparent information on the prices they—and their workers—are paying